

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION	)	
OF DELMARVA POWER & LIGHT COMPANY	)	
FOR THE CALCULATION OF BALANCING	)	PSC DOCKET NO. 15-0671
FEES ASSOCIATED WITH THE GAS COST	)	
RATE (FILED FEBRUARY 3, 2015)	)	

**ORDER NO. 8862**

**AND NOW**, this 19 day of April, 2016;

**WHEREAS**, the Delaware Public Service Commission ("Commission") has received and considered the Findings and Recommendations of the Hearing Examiner, which is attached hereto as "**Attachment A**," issued in the above-captioned docket, which was submitted after a duly-noticed public evidentiary hearing; and

**WHEREAS**, the Hearing Examiner finds that the proposed Balancing Fee calculation more fairly apportions a customer's share of the Balancing Fee based on excess volumes; and

**WHEREAS**, with the proposed Pressure Support Fee customers that benefit from the pressure support from Eastern Shore Natural Gas will pay their fair share of the cost of that support; and

**WHEREAS**, these changes will reduce, if not eliminate, the subsidy that Firm Sales customers currently provide to Transportation customers; and

**WHEREAS**, the Commission finds that the proposed charges are just and reasonable and that their adoption is in the public interest;

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF  
NOT FEWER THAN THREE COMMISSIONERS:**

1. The Commission hereby adopts the March 8, 2016 Findings and Recommendations of the Hearing Examiner, attached hereto as

**"Attachment A."**

2. The Commission approves the implementation of the change in methodology for the calculation of the proposed Balancing Fee and Pressure Support Fee beginning with the 2016-17 GCR.

3. The Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

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Chair

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Commissioner

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Commissioner

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Commissioner

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Commissioner

ATTEST:

\_\_\_\_\_  
Secretary

ATTACHMENT "A"

FINDINGS AND RECOMMENDATION OF  
THE HEARING EXAMINER DATED March 8, 2016

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION	)	
OF DELMARVA POWER & LIGHT COMPANY	)	
TO CHANGE THE METHODOLOGY FOR THE	)	PSC DOCKET NO. 15-0671
CALCULATION OF BALANCING FEES	)	
ASSOCIATED WITH THE GAS COST RATE	)	
(FILED FEBRUARY 3, 2015)	)	

FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

DATED: March 8, 2016

R. CAMPBELL HAY  
HEARING EXAMINER

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IN THE MATTER OF THE APPLICATION	)	
OF DELMARVA POWER & LIGHT COMPANY	)	
FOR THE CALCULATION OF BALANCING	)	PSC DOCKET NO. 15-0671
FEES ASSOCIATED WITH THE GAS COST	)	
RATE (FILED FEBRUARY 3, 2015)	)	

**FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER**

R. Campbell Hay, duly appointed Hearing Examiner in this Docket pursuant to 26 *Del. C.* §502 and 29 *Del. C.* ch. 101 and by Commission Order No. 8710 dated March 3, 2015, reports to the Commission as follows:

**I. APPEARANCES**

On behalf of the Applicant, Delmarva Power & Light Company  
("Delmarva" or "the Company"):

By: PAMELA J. SCOTT, ESQ., ASSISTANT GENERAL COUNSEL  
ROBERT W. BRIELMAIER, MANAGER OF GAS OPERATIONS  
JAMES B. JACOBY, MANAGER, GAS SUPPLY  
SUSAN A. DEVITO, MANAGER OF REGULATORY COMPLIANCE  
PRICING, PHI Service Company

On behalf of the Public Service Commission Staff ("Staff"):

By: JAMES McC. GEDDES, ESQ., ASHBY AND GEDDES  
MALIKA DAVIS, PUBLIC UTILITIES ANALYST  
JASON R. SMITH, PUBLIC UTILITIES ANALYST

On behalf of the Division of the Public Advocate ("DPA"):

By: REGINA A. IORII, ESQ., DEPUTY ATTORNEY GENERAL,

On behalf of Calpine Mid-Atlantic Energy, LLC ("Calpine"):

By: WILLIAM A. DENMAN, ESQ., PARKOWSKI, GUERKE AND SWAYZE,  
P.A.

## II. BACKGROUND

### A. DELMARVA'S 2013-2014 GCR APPLICATION

1. In Delmarva's 2013 Gas Cost Rate ("GCR") proceeding, PSC Docket No. 13-349F, Jerome D. Mierzwa, a consultant with Exeter Associates, Inc., testified on behalf of Staff and the DPA that Delmarva's balancing fees should be assessed on transportation customers based on throughput (rather than excess volumes) and that the balancing fees should be designed to recover demand charges from interstate pipelines for providing both balancing service and system reliability. (Exh. 2, pp.3-4)<sup>1</sup>

2. In the Settlement Agreement ("Agreement") in PSC Docket No. 13-349F, Delmarva agreed to make a regulatory filing with the Commission in which Delmarva would propose changes to the balancing fees associated with the GCR. (*Id.* at p.3)

3. On February 2, 2015, pursuant to 26 Del. C. §§201 and 301 and Order Nos. 8578 (July 8, 2014), 8649 (September 30, 2014), and 8701 (January 6, 2015), Delmarva filed an application ("Application") requesting Commission approval to implement a new balancing fee structure consisting of two separate components: (1) a new Balancing Fee of \$0.5530 per Mcf for 2015-2016, which is designed to recover swing and storage service costs attributable to customers in service

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<sup>1</sup> Exhibits entered into the evidentiary record will be cited herein as "Exh. \_\_\_\_". References to the transcript for the evidentiary hearing will be cited as "Tr. \_\_\_\_ at p. \_\_\_\_." Schedules from the parties' filings will be cited as "Sch. \_\_\_\_ description."

classifications Firm Transportation ("FT"), Interruptible Transportation ("IT"), Large Volume Gas - Qualifying Fuel Cell Provider-Renewable Capable ("LVG-QFCP-RC"), and certain contract customers and which will be assessed on the differences (both under-deliveries and over-deliveries) between gas delivered to the Company's gate stations and the amount of gas actually used by the customer; and (2) a Pressure Support Fee of \$0.1893 per Mcf for 2015-2016, which is designed to recover the costs of Eastern Shore Natural Gas Company ("ESNG") capacity from Sales (GCR), FT and LVG-QFCP-RC customers that benefit from pressure support, and which the Company proposes to allocate among such customers using throughput as the determinant. (*Id.*)

4. Delmarva proposed that the Commission schedule public workshops for interested stakeholders so that Delmarva could further analyze and potentially refine the proposed balancing fee structure. (*Id.* at p.5)

5. With its Application, Delmarva also submitted prefiled testimony from two (2) witnesses: Robert W. Brielmaier, Manager of Gas Operations; and Susan A. DeVito, Manager of Regulatory Compliance Pricing for PHI Service Company, a subsidiary of PEPCO Holdings, Inc. (Exhs. 3 & 4)

6. In Order No. 8710, dated March 3, 2015, the Commission appointed me as Hearing Examiner in this matter and directed me to assume the duties listed in Order No. 8710.

7. The DPA exercised its statutory right of intervention on February 12, 2015.

8. On May 12, 2015, I granted Leave to Intervene to Calpine.

**B. PUBLIC COMMENTS**

9. On June 3, 2015, I held a duly noticed public comment session at 10:00 a.m. in the auditorium of the Carvel State Office Building located at 820 North French Street in Wilmington, Delaware. Notice of the public comment session was published in The News Journal newspaper on May 14, 2015. Three (3) individuals representing different groups attended and commented. These three (3) groups also submitted written comments.

10. Berkshire Energy Partners, LLC ("Berkshire") is an energy consulting and brokerage firm operating in Delaware, Pennsylvania, and New Jersey. Berkshire is concerned about the financial impact the new fee calculation will have on its clients, which include small businesses, non-profit organizations, and apartment complexes (specifically, the tenants in the apartment complexes who will absorb the cost of higher fees). Second, Berkshire questions the fairness of changing the cost structure for gas transportation customers who have existing contracts. Berkshire states that gas commodity supply contracts can run three (3) years into the future. Because of the nature of the contracts, Berkshire believes that there would be no timely way to consider alternatives such as reverting to sales service, rather than transportation service. In addition, if gas transportation customers revert to sales service, gas infrastructure costs could rise, which would impact regular ratepayers. Berkshire is also concerned about the economic impact of the new fee calculation, stating that higher utility costs may dissuade industry and other businesses from doing business in Delaware.



11. The Kuehne Chemical Company ("Kuehne") is the only bleach producer in Delaware. Kuehne is concerned that the new fee calculation method will have a larger impact than anticipated. According to Kuehne, natural gas is a significant expense item and if rates increase it will "erode" work the company has done on sustainability projects to reduce gas consumption.

12. The Chemical Industry Council of Delaware ("CICD") represents 14 companies with over 5,000 direct and ancillary jobs in the State. CICD wrote that given the potential significant impact to businesses in Delaware, it encouraged public workshops on this issue so stakeholders may voice their concerns in a formal setting.

### **III. SUMMARY OF EVIDENCE - THE PARTIES' PRE-FILED TESTIMONY**

13. The testimonies of Mr. Robert W. Brielmaier and Ms. Susan DeVito were included in the Application filed on February 3, 2015. On September 1, 2015, Staff and the DPA submitted direct testimony from Consultant Jerome D. Mierzwa of Exeter Associates, Inc. Their testimonies are summarized in the following section.

#### **A. DELMARVA**

14. **Robert W. Brielmaier.** Delmarva's Manager of Gas Operations, Robert W. Brielmaier, testified in support of Delmarva's application. (Exh. 3)

15. Mr. Brielmaier testified that Delmarva agreed that the benefit of pressure support and reliability from ESNG accrues to all

customers.<sup>2</sup> Delmarva also agreed that ESNG capacity accounts for 61% of total balancing costs. (*Id.* at p.4)

16. He testified that the ESNG capacity functioned as an extension of the Company's own transmission system in that Delmarva had secured the capacity in lieu of constructing a Company-owned pipeline from the northern part of New Castle County to the southern part of the County. (*Id.*) As the Company's customer base extended further south in New Castle County, the ESNG pipelines became part of an integrated system that provides pressure support for all customers. (*Id.*)

17. Mr. Brielmaier stated that Delmarva also agreed that the determinants used to design the Balancing Fee should be those used to assess those fees. (*Id.*)

18. Mr. Brielmaier testified that Delmarva did not agree that customer throughput should be used to assess the Balancing Fee, and proposed a different Balancing Fee rate design. (*Id.* at pp.5-6)

19. Mr. Brielmaier testified that Balancing Service customers<sup>3</sup> were not equitably bearing the balancing costs. Delmarva recognized that the current Balancing Fee had two distinct components, and therefore proposed to divide it into two separate charges: (1) a "new" Balancing Fee, which would consist of swing and storage services costs attributable to the Balancing Service customers; and (2) a Pressure Support Fee, which would be assessed on the throughput of customers who benefit from ESNG pressure support. (*Id.*)

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<sup>2</sup> The points discussed here as being "agreed" to are points set forth by the Staff and DPA consultant, Jerome Mierzwa. Mr. Mierzwa's testimony will be discussed, *infra*.

<sup>3</sup> In addition to certain other contract customers, Balancing Service Customers are customers in the following service classifications: Firm Transportation, Interruptible Transportation, and Large Volume Gas- Qualifying Fuel Cell Provider - Renewable Capable.

20. According to Mr. Brielmaier, the proposed "new" Balancing Fee will be assessed on the imbalances (both under-deliveries and over-deliveries) between gas delivered to Delmarva's gate stations and the amount of gas actually used by the customer. (*Id.* at p.5)

21. Mr. Brielmaier testified that throughput should not be used as the determinant for the Balancing Fee because a customer's throughput does not necessarily correlate with the customers' actual use of the swing services.<sup>4</sup> As a result, customers who manage their deliveries well would be penalized by paying more than customers who do not manage their deliveries well. Also, Delmarva was concerned that a fee allocated on throughput could eliminate the incentive for customers to manage imbalances. This would create a need for increased storage and swing services, resulting in higher GCR costs. (*Id.*)

22. Mr. Brielmaier explained that the proposed Pressure Support Fee was intended to recover the costs of ESNG capacity. He further explained that because of the range of customers<sup>5</sup> that benefit from ESNG capacity, the Pressure Support Fee would be allocated in proportion to those customers' respective throughput. (*Id.* at p.6)

23. Mr. Brielmaier discussed additional impacts from the implementation of the Pressure Support Fee. He stated that the Pressure Support Fee will cause an increase in customer's bills, which could give them a reason to switch from Transportation Service to

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<sup>4</sup> Swing Services are services in which the supply being offered will be the last to be purchased by the customer if there is additional demand and the first to be curtailed by the customer if there is any reduction in demand.

<sup>5</sup> The range includes Sales (GCR), Firm Transportation, and Large Volume Gas- Qualifying Fuel Cell Provider - Renewable Capable

Sales Service. According to Mr. Brielmaier, such changes could strain Delmarva's gas supply portfolio and its gas reserve margin. He explained that if reserve margins are reduced, additional pipeline capacity may have to be sought, which both takes time to build and is costly. (*Id.* at pp. 6-7)

24. **Susan A. DeVito.** Ms. DeVito, Manager of Regulatory Pricing for PHI, testified about how the Balancing Fee and Pressure Support Fee would be calculated. (Exh. 4 at p.2)

25. Ms. DeVito reiterated that the Balancing Fee is calculated based on costs associated with swing and storage services and costs for annual capacity provided by ESNG. The combined costs are divided by "Projected System Throughput" to arrive at the Balancing Fee rate. That rate is then applied to a customer's daily imbalance volumes. (*Id.*)

26. Ms DeVito further stated that the Balancing Fee as proposed includes the estimated costs for swing and storage services only, divided by actual system swing storage volume from the prior period. The resulting allocation factor is then applied to the total cost of swing and storage services to determine the Balancing Service Customers' share of those costs. The Balancing Service Customers' share of those costs is then divided by the actual balancing volumes to derive a balancing fee per MCF. (*Id.* at p. 3)

27. Ms. DeVito estimated that the impact of this new calculation would increase monthly costs for Balancing Service Customers by between .5% and 5.2%. (*Id.* at p.3)

28. Ms. DeVito then explained how the new Balancing Fee calculation would impact the GCR. Applying actual figures from Delmarva's 2014-2015 GCR filing, she testified that customers would receive a \$384,799 demand credit based on the old calculation. Using the same inputs and the new proposal, she calculated that the estimated demand credit for 2014-15 would be \$792,540 (or an additional \$344,741 in demand credits). (*Id.* at p.4)

29. Ms. DeVito testified that the Pressure Support Fee would be calculated by allocating a portion of the ESNG capacity to FT and LVG-QFCP-RC customers based on their annual throughput in the most recent GCR year. Based on current information, thirty-five percent (35%) of the ESNG capacity costs are allocated to the aforementioned customers. Ms. DeVito explained that \$1,409,310 would be recovered from those customers, making the Pressure Support Fee rate \$0.1893 per MCF. (*Id.* at pp.4-5)

30. Ms. DeVito testified that the combined impact of the new Balancing Fee and the Pressure Support Fee on FT customers would range from increases of 6.0% to 30.5%. (*Id.* at p.5)

31. As for the impact on GCR customers, Ms. DeVito testified that had the proposed Balancing and Pressure Support Fees been in effect for the 2014-15 GCR year, the commodity cost would have remained the same, but the demand rate for Residential Gas, General Gas, Gas Light, Medium Volume Gas, and Large Volume Gas customers would have decreased by approximately 8%. According to Ms. DeVito, an average space heating customer using 120 CCF in a winter month would have saved \$1.75, or 1.4%. (*Id.*)

**B. STAFF'S and DPA'S TESTIMONY.**

**32. Jerome D. Mierzwa, Consultant from Exeter Associates, Inc.**

Mr. Mierzwa was retained by Staff and the DPA to review the Company's Application to change the methodology for the calculation of the Balancing Fees that are assessed to transportation customers. (Exh. 5, p.2)

33. On September 1, 2015 Staff and DPA submitted direct testimony of Mr. Mierzwa concerning the reasonableness of Delmarva's proposals. Mr. Mierzwa testified that the Application came about as part of the terms of the Settlement Agreement between Delmarva, Staff, and the DPA in PSC Docket No. 13-349F.<sup>6</sup> (*Id.* at pp.2-3)

34. Mr. Mierzwa testified that based on Delmarva's current calculation methodology, Transportation customers were not paying their reasonable share of the costs associated with providing balancing services and pressure support, and sales customers were paying for the costs which should be the responsibility of transportation customers. (*Id.* at p.4)

35. Mr. Mierzwa testified that Delmarva's Balancing Fee was designed to recover the costs associated with the upstream interstate pipeline capacity used to accommodate differences (imbalances) between the daily consumption of a transportation customer and the daily deliveries to Delmarva on that customer's behalf, and the costs associated with the pipeline capacity necessary to ensure system reliability. (*Id.*)

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<sup>6</sup> The Settlement Agreement in PSC Docket No. 13-349F was approved by PSC Order No. 8578. Extensions to the filing deadline of the Application were granted in PSC Order Nos. 8649 and 8701. The final deadline for filing was February 2, 2015.

36. Mr. Mierzwa noted that the upstream capacity used to accommodate daily transportation customer imbalances was "no-notice services" capacity.<sup>7</sup> He also explained that the capacity necessary to ensure system reliability was Delmarva's ESNG capacity. The Balancing Fee in PSC Docket No. 13-349F was designed based on demand charges associated with Delmarva's no-notice services and ESNG capacity. He further explained that the Balancing Fee was calculated by dividing total no-notice and ESNG pipeline demand charges by the projected throughput of all customers.<sup>8</sup> (*Id.*)

37. Mr. Mierzwa testified that it was "illogical and inconsistent" to design rates based on total throughput and charge those rates on excess volumes. Under this methodology, Mr. Mierzwa testified that Transportation customers contributed nothing toward the recovery of the costs associated with providing balancing services and pressure support on days on which the customer had no excess volumes. As a result, transportation customers were not paying a reasonable share of the costs associated with providing balancing service and pressure support. Mr. Mierzwa noted that the consequences were that sales customers paid for the costs which should be allocated to transportation customers. (*Id.* at p.5)

38. Mr. Mierzwa testified that, according to the Settlement Agreement in PSC Docket No. 13-349F, Delmarva was required to submit a filing (the Application at issue in this current docket) proposing a change to its Balancing Fees. Mr. Mierzwa stated that Delmarva's

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<sup>7</sup> "No-notice Services" is the collective term for Delmarva's Transcontinental Gas Pipe Line (General Storage Service) and Columbia Gas Transmission (Storage Service Transportation and Firm Storage Service).

<sup>8</sup> "All customers" includes firm sales, firm transportation, and interruptible transportation.

proposal in the present Application proposed a Balancing Fee based on projected excess volumes (contrary to Staff's and the DPA's recommendation to use total throughput). He explained that to recover the costs associated with the ESNG capacity necessary to ensure system reliability, Delmarva proposed the aforementioned Pressure Support Fee, which would be calculated by dividing total ESNG capacity costs by total throughput. (Id.)

39. Mr. Mierzwa testified that Delmarva's proposed Balancing Fee and Pressure Support Fee adequately addressed the concerns that Staff and the DPA had raised in PSC Docket No. 13-349F, notwithstanding that the proposed Balancing Fee would continue to be assessed on excess volumes, because the proposed Balancing Fee was also designed based on excess volumes. Similarly, the Pressure Support Fee would be assessed on the same basis as the rate was designed (total throughput). He concluded that the two fees would recover from Transportation customers a reasonable share of the costs associated with ensuring system reliability. (Id. at pp.6-7)

#### **IV. THE EVIDENTIARY HEARING**

40. On January 6, 2016, I conducted a duly-noticed evidentiary hearing in the Public Service Commission Hearing Room at 861 Silver Lake Boulevard in Dover. (Exh. 6) Delmarva, Staff, the DPA, and Calpine<sup>9</sup> stipulated to the admission of six (6) exhibits into evidence. At the conclusion of the hearing, I closed the evidentiary

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<sup>9</sup> Mr. Denman, appearing on behalf of Calpine, noted on the record that Calpine had elected not to file any testimony in this docket and does not oppose the application as submitted by Delmarva. (Tr. at pg. 29)



record, consisting of seven (7) exhibits and thirty-six (36) pages of hearing transcript. (Tr., pp.28-29)

**A. Delmarva**

**a. Brielmaier**

41. Delmarva called Robert Brielmaier as its first witness. Mr. Brielmaier testified that two changes to his pre-filed testimony were necessary. First, because of Delmarva's updated Gas Supply Plan, the reserve margin noted in his pre-filed testimony should be reduced by between one-half percent (.5%) and three-quarters percent (.75%). Second, Mr. Brielmaier corrected the implementation date of the new balancing fee and pressure support fee from November 1, 2015 in the pre-filed testimony to the actual implementation date of November 1, 2016. (*Id.* at pp.31-32)

42. With those changes noted, Mr. Brielmaier adopted his pre-filed testimony as his sworn testimony at the Evidentiary Hearing. (*Id.* at p.32)

43. Mr. Brielmaier recapped his pre-filed testimony as discussed *supra* at pp. 5-8. (*Id.* at pp.32-36)

44. On direct examination, Mr. Brielmaier testified that two (2) working groups were held in this matter. He highlighted three concerns derived from the working groups. The first concern was that the proposal would increase costs for certain transportation customers (i.e., small businesses, nonprofit organizations, and apartment tenants<sup>10</sup>). The second concern voiced in the working groups was that transportation customers could have long-term contracts with their

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<sup>10</sup> Apartment tenants would be impacted through higher rents to cover the owner's higher gas costs, presuming gas service is included in the rent.

suppliers, and if costs increase because of the change in balancing fees, the customer would have to wait until the expiration of the contract to make less costly arrangements. The third concern was the possibility that more customers would switch to sales service to avoid higher transportation costs, which would require Delmarva to secure additional pipeline capacity. Mr. Brielmaier noted that Delmarva made no changes to its proposal based on the comments. (*Id.* at pp.34-36)

45. On cross examination by the DPA, Mr. Brielmaier clarified that the reserve margin for 2015/2016 dropped to 4.06% from 4.8%. He testified that the reserve margin for 2016/2017 dropped to 3.29% from 3.9%. He further testified that the reserve margin for 2017/2018 dropped from 3.2% to 2.61% and that for the period 2018/2019 the reserve margin further dropped to 2.01% from 2.6%. (*Id.* at pp.37-38)

46. Staff questioned Mr. Brielmaier on the possible migration of Transportation customers to Sales service, specifically in comparison to recent changes in Chesapeake Utilities Corporation's ("Chesapeake") balancing fees as reflected in Chesapeake's tariff. Mr. Brielmaier testified that he had no knowledge of neither the charges that Chesapeake assesses to its firm transportation customers, Chesapeake's customer migration from transportation to sales service, nor the level of Transportation customers on their system. (*Id.* at pp.38-43)

**b. DeVito**

47. Ms. DeVito adopted her pre-filed testimony as her sworn testimony for the Evidentiary Hearing. (*Id.* at p.45)

48. On direct examination, Ms. DeVito testified that the impact of the change in methodology to Delmarva's customers based upon the 2015-16 GCR would be an increase of approximately 6.3% to 33% to Transportation customers. She stated that as a result of the proposed fees, Transportation customers would now be paying their fair share of the cost associated with balancing and GCR customers would no longer subsidize these costs. (*Id.* at pp.45-46)

49. On cross examination by the DPA, Ms. DeVito clarified that if a Transportation customer had no imbalance, under the new calculation methodology it would not be assessed a balancing fee. (*Id.* at p.47)

**B. Staff and DPA**

50. Mr. Mierzwa, on behalf of Staff and the DPA, adopted his pre-filed testimony as his sworn testimony for the Evidentiary Hearing. Mr. Mierzwa then recapped his pre-filed testimony as discussed *supra* at pp.9-12. (*Id.* at p.49)

51. On direct examination, Staff requested that the aforementioned tariff sheets from Chesapeake be entered into evidence. Hearing no objections, I allowed them to be admitted as Exhibit 7. (*Id.* at p.53)

**V. DISCUSSION AND RECOMMENDATIONS**

52. Pursuant to the Commission's instructions, I hereby submit for consideration these proposed Findings and Recommendations and proposed Order.

53. The Commission has jurisdiction over this matter pursuant to 26 Del. C. §201(a).

54. In accordance with 26 Del. C. §307(a), Delmarva bears the burden of proof to show that the new rates are just and reasonable. Based on my review of the entire record, including the testimony and exhibits offered at the evidentiary hearing and the public comments offered by and on behalf of Delmarva customers, I find that Delmarva has met the burden of proof and that the proposed change in the methodology for calculating Balancing Fees and the proposed Pressure Support Fee are just, reasonable, and in the public interest.

55. The proposed Balancing Fee calculation more fairly apportions a Transportation customer's share of the Balancing Fee based on excess volumes. This apportionment results in lower fees for customers that manage usage and delivery more efficiently and higher fees for those that don't manage usage and delivery efficiently.

56. Customers that benefit from the pressure support from ESNG will pay their fair share of the cost of support without the added cost of a Balancing Fee, provided gas delivery is managed efficiently.

57. Sales customers will no longer subsidize Transportation customers' imbalanced deliveries.

58. The fee calculation is fair in comparison to other gas companies' Balancing Fees.<sup>11</sup>

Respectfully submitted,

R. Campbell Hay  
Hearing Examiner

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<sup>11</sup> By comparison, Chesapeake charges a Balancing Fee on total throughput. The fees are graduated based on volume. Medium Volume Customers are charged \$.91/MCF, Large Volume Customers are charged \$.73/MCF, and High Load Factor Customers are charged \$.24/MCF. Under this proposal, Delmarva Transportation Customers are charged a Balancing Fee of \$.553/Mcf on excess volumes and a Pressure Support Fee of \$.1893/Mcf on total throughput.